

EXHIBIT O

IN-SERVICE EXPENSES

**Combined Application of South Carolina Electric & Gas Company for a
Certificate of Environmental Compatibility and Public Convenience and
Necessity and for a Base Load Review Order
Public Service Commission Docket No. 2008-196-E**

1. INTRODUCTION

This **Exhibit O, Chart A** provides SCE&G's current forecast of the in-service expenses associated with the placing into service of two Westinghouse AP1000 Advanced Passive Safety Power Plant units as V. C. Summer Nuclear Station (VCSNS) Units 2 & 3 (the Units or the Facilities).

2. DESCRIPTION OF ANNUALIZED IN-SERVICE SERVICE COST ESTIMATES (SEE ATTACHED TABLE)

- 1) ***Fixed Operation and Maintenance Expense*** – These are estimated costs that will not vary with the operation of the plant. Examples include plant staff, insurance, security, etc. Current estimates are based on experience at VCSNS Unit 1.
- 2) ***Variable Operation and Maintenance Expense*** – These are estimated costs that will vary with the operation of the plant. Examples include certain supplies, chemicals, gases, outside services, and other consumables.
- 3) ***Decommissioning Expense*** – At this time, an external sinking fund in the form of a trust is the method that SCE&G plans to use to provide reasonable assurance of the availability of its share of funds to decommission the facility. Amounts collected through rates would be transferred to the external trust and such deposits along with trust fund earnings must provide an amount equal to or greater than the formula-derived decommissioning cost for the facility.
- 4) ***Fuel Costs*** – Estimated cost of nuclear fuel for the period including uranium, enrichment, fabrication, and other associated costs.
- 5) ***Depreciation*** – This estimate is the annual straight-line depreciation expense associated with the projected closing amount of each unit, assuming a sixty year economic life of each nuclear unit. Transmission property is depreciated in accordance with currently approved depreciation rates.

- 6) ***Taxes Other Than Income*** – These costs include property taxes, gross receipts taxes, and support of PSC taxes. Property tax projections are based on the Inducement Resolution with Fairfield County with regard to fee in lieu terms applied to the in-service cost of the eligible property. Transmission property is taxed in accordance with projected system average tax millage and assessment ratios.
- 7) ***Return on Materials, Supplies, and Working Capital*** – These costs were estimated by applying the SCE&G's weighted average cost of capital to projected balances for fuel inventories, materials and supplies, and working capital (one-eighth of non-fuel O&M costs).

VCS Unit 2 and Unit 3
Table of In-Service Expenses
(\$000)

<i>Line item:</i>	<i>Unit # 2</i> <i>2016</i>	<i>Unit # 3</i> <i>2019</i>
Fixed Operation and Maintenance Expense	\$38,212	\$27,653
Variable Operation and Maintenance Expense	\$18,041	\$19,618
Decommissioning Expense	\$4,372	\$4,777
Fuel Costs	\$45,624	\$45,578
Depreciation	\$57,710	\$51,827
Taxes Other than Income	\$44,550	\$52,103
<u>Return on Materials, Supplies, and Working Capital</u>	<u>\$14,827</u>	<u>\$14,786</u>
Total	\$223,336	\$216,342

SCE&G expects to receive Federal production tax credits related to the Units when they become operational. Because of the year-to-year variability of the amount of those credits, SCE&G presently intends to seek Commission approval at a future date to pass the value of the available credits through to customers directly as a credit to electric fuel costs. Accordingly, the benefit of these credits is not shown above.